

POOLED MONEY INVESTMENT BOARD
915 Capitol Mall, Room 110
Sacramento, CA 95814

MINUTES

Wednesday, October 15, 2003

The meeting was called to order at 10:17 a.m.

Roll: Francisco Lujano for State Treasurer Philip Angelides
Cindy Aronberg for State Controller Steve Westly
Shelley Mateo for Director of Finance Steve Peace

Staff Present: Barbara Lloyd, Executive Secretary, PMIB
Doug Spittler, State Treasurer's Office
Gina Greer, Attorney General's Office
Tom Noguerola, State Treasurer's Office

APPROVAL OF MINUTES

The Minutes for the meeting of September 17, 2003, were approved as submitted, 3-0.

APPROVAL OF PMIB DESIGNATION NO. 1652

Mr. Doug Spittler of the State Treasurer's Office presented the portfolio Summary Report as of September 30, 2003. On that day, the portfolio stood at \$53.701 billion. The effective yield was 1.582%, the quarter-to-date yield was 1.640% and the year-to-date yield was 1.640%. The average life of the portfolio was 214 days and AB 55 Loans approved stood at \$6.781 billion with \$2.475 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$21.230 billion with 2,903 participants.

Mr. Steve Muraki of the Cash Management Division of the State Treasurer's Office presented a summary of the Forecast of Changes in Portfolio for the Pooled Money Investment Account for the period October 13, 2003, through December 19, 2003. He stated that over the ten-week period there would be an increase in the portfolio of about \$7.5 billion due to receipts exceeding disbursements. Mr. Muraki continued by highlighting several of the key receipts. He noted that the Sales, Liquor and Utility Surcharges were estimated to total \$6.756 billion and that the Motor Vehicle Fuel Taxes were anticipated to total \$602 million. The Personal Income and Bank & Corporation Taxes were expected to total \$7.678 billion, while the Insurance Gross Premium Taxes were estimated to total \$371.6 million. The proceeds from the Sale of State Bonds were expected at \$1.875 billion, while the proceeds from Revenue Anticipation Notes were anticipated at \$3.0 billion. Mr. Muraki concluded by stating that receipts were expected to total \$37.368 billion over the ten-week forecast period.

Mr. Alan Setser of the State Controller's Office presented the Estimated Pooled Money Disbursements for the forecast period and highlighted several of the major disbursements. Public Schools and Community Colleges expenses were expected to total \$5.700 billion over the forecast period. Social Services disbursements were estimated at \$2.570 billion and the Local Sales Tax Apportionments were expected to total \$1.402 billion. In conclusion, Mr. Setser said that the Payroll Revolving Fund was estimated at \$2.538 billion and that total disbursements for the ten-week period were expected to total \$29.569 billion.

Designation No. 1652 was approved, 3-0.

APPROVAL OF AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING

Mr. Doug Spittler presented this item. He noted that the Controller's Office had requested that this item be approved quarterly at a regular Board meeting—the month prior to the quarter they are to be effective. He also noted that, in the past, this document was circulated among the members of the Pooled Money Investment Board for signatures. This document authorizes the General Fund to borrow from internal sources—the special funds and accounts within the State Treasury—to meet its cash needs during periods of shortfall. This authorization document will be presented quarterly from now on.

The authorization presented at this meeting will run from November 1, 2003 through January 31, 2004. The backup table indicates that the amount available from various, internal funds is \$9,932,000,000.

The Authorization for General Fund Internal Borrowing for the period November 1, 2003 through January 31, 2004 was approved, 3-0.

APPROVAL OF SURPLUS MONEY DECLARATIONS/REDUCTIONS

Mr. Doug Spittler presented this item. He indicated that there were Surplus Money Declarations/Reductions for two months to be approved this time. For the month of August 2003, it was determined that there was \$10.585 billion that moved into various special funds and that there was approximately \$9.874 billion that moved out of various funds. In September 2003, there was \$9.411 billion that moved into various special funds and accounts and approximately \$6.732 billion that moved out.

Surplus Money Declarations/Reductions for the months of August and September 2003 were approved, 3-0.

APPROVAL OF SURPLUS MONEY INVESTMENT FUND REQUESTS

Mr. Doug Spittler presented two SMIF requests. The first request was from the Department of Conservation for the Oil, Gas and Geothermal Administrative Fund (Fund Number 3046). The

second request was from the Department of Toxic Substances Control for the Environmental Quality Assessment Fund (Fund Number 3035). Mr. Spittler said that staff had reviewed both requests and recommended their approval.

The Board accepted the staff's recommendations and approved both requests, 3-0.

APPROVAL OF AB 55 LOANS

Mr. Lujano said there was a request that Item v. be presented first. Mr. Chris Kooyman, of the Public Finance Division of the State Treasurer's Office, responded to the request by stating that he would like to give the breakdown of the loan requests before presenting Item v. Continuing, he said there were originally twenty-three loans on the agenda but that two had been withdrawn (*Items o. and w.*). He noted that loans a. through g. were for general obligation bond programs and that loans h. through v. were for lease revenue bond programs.

Mr. Kooyman then presented agenda Item v. He said this was a new loan request from the Department of Corrections/SPWB Lease Revenue Bond program for the California State Prison at San Quentin, Condemned Inmate Complex in the amount of \$8,446,878. Mr. Lujano said that there was a speaker. Assemblyman Joe Nation, representing Marin and Sonoma Counties, introduced himself and spoke for several minutes regarding the reason why he did not want Item v. approved by the Board at this meeting. He indicated that an audit was being conducted that might call into question the continued viability of the San Quentin facility and that a decision to continue this project might not, therefore, be in the best interest of the public.

At this time Mr. Lujano acknowledged another speaker—Mr. Jim Tilton of the Department of Finance/State Public Works Board. Mr. Tilton expressed the desire to go-ahead with the project, since it had already been authorized in the budget by the Legislature. He said most likely only \$1.5 million would be expended during the fiscal year and that it might put the project in jeopardy if the loan decision was delayed.

After a lengthy discussion between Board members, Mr. Tilton, Mr. Nation and legal counsel, it was decided that the Board needed more information and that no action would be taken until further review. This item was tabled for the November 2003 Board meeting. Ms. Barbara Lloyd, Executive Secretary of the PMIB, stated for the record that direction was given to staff to report back on this item in November.

Mr. Kooyman then resumed his presentation. The first loan request presented (*Item a.*) was from the University of California for the Higher Education Facilities Bond Act of 1992 for \$1,074,822.00. The second loan (*Item b.*) was from California Community Colleges for the Public Education Facilities Bond Act of 1996 (Hi-Ed) for \$611,715.05. The third loan (*Item c.*) was from the Department of Transportation for the Seismic Retrofit Bond Act of 1996 for \$176,875,679.77. The fourth loan request (*Item d.*) was from the Department of Water Resources for the Water Conservation Bond Law of 1988 for \$1,974,155.57. The fifth loan (*Item e.*) was from the Water Resources Control Board for the Safe Drinking Water, Clean Water, Watershed

Protection and Flood Protection Bond Act of 2000 for \$86,820,694.52. The sixth request (*Item f.*) was from the Department of Corrections for the New Prison Construction Bond Act of 1988 for \$6,280,500.00. The seventh loan (*Item g.*) was from the Department of Corrections for the New Prison Construction Bond Act of 1986 for \$1,500,000.00.

The eighth loan request presented (*Item h.*) was from the Department of Justice/SPWB Lease Revenue Bond program for the Santa Barbara Replacement Laboratory for \$14,000.00. The ninth loan (*Item i.*) was from the University of California/SPWB Lease Revenue Bond program for the San Francisco Campus/QB3 Building at Mission Bay for \$40,400,000.00. The tenth loan (*Item j.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Squaw Valley Forest Fire Station for \$1,842,700.00. The eleventh loan request (*Item k.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Ventura Youth Conservation Camp for \$15,000.00. The twelfth loan (*Item l.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Weaverville Forest Fire Station for \$15,000.00. The thirteenth request (*Item m.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Valley Center Forest Fire Station for \$1,979,000.00. The fourteenth loan (*Item n.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Raymond Forest Fire Station for \$379,000.00. The fifteenth loan (*Item o.*) was withdrawn. The sixteenth loan (*Item p.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Warner Springs Forest Fire Station for \$15,000.00.

The seventeenth loan (*Item q.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Alma Helitack Base for \$332,000.00. The eighteenth request presented (*Item r.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Batterson Forest Fire Station for \$10,000.00. The nineteenth loan (*Item s.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Baseline Conservation Camp for \$15,000.00. The twentieth loan (*Item t.*) was from the Department of Forestry and Fire Protection/SPWB Lease Revenue Bond program for the Lassen Lodge Forest Fire Station for \$224,000.00. The twenty-first loan (*Item u.*) was from California Conservation Corps/SPWB Lease Revenue Bond program for the Tahoe Base Center Relocation for \$473,000.00. The twenty-second loan (*Item v.*) from the Department of Corrections was presented earlier, while the twenty-third loan (*Item w.*) was withdrawn. Mr. Kooyman said impact on the Pool would be an increase in the portfolio loan balance of approximately \$142 million. He said all loans were recommended for approval with the exceptions of items f. and g. which were contingent upon approval of the Finance Committee. Additionally, no action was taken on item v. and the loan was tabled for further discussion until the November 19, 2003, Pooled Money Investment Board meeting.

The loan requests were approved as recommended by staff, 3-0.

PUBLIC COMMENT

None.

OTHER BUSINESS

In the absence of further business, the meeting was adjourned at 10:47 a.m.

Respectfully submitted

Barbara Lloyd
Executive Secretary